

Accessibility Improvements

The construction, renovation, remodeling or alteration of a building or facility that is open to the public triggers Massachusetts Architectural Access Board (AAB) requirements. If the work done in a 36-month period is greater than \$100,000, the work being performed is required to comply. In addition, an accessible entrance is required. Where provided, public telephones, drinking fountains and rest rooms must also comply. If the work done in a 36-month period is more than 30% of the “full and fair cash value” (usually the assessed value) of the building, the entire building must come into compliance. Additionally, the federal Architectural Barriers Act (ABA) requires that buildings and facilities constructed or altered with federal funds comply with federal standards for physical accessibility (41 CFR Section 101-19.6). For technical assistance, check with your local Building Inspector, Massachusetts Office on Disability (<http://www.Massachusettsgov/mod>) or the U.S. Architectural and Transportation Barriers Compliance Board (<http://www.access-board.gov>).

Adaptive Re-use

The process of reusing an old site or building for a purpose other than which it was built or designed. For the purposes of the CDBG/EDF program, this term is used to describe *reconstruction* or *rehabilitation* of a non-residential building for residential use.

Affordable Housing

In an effort to increase the supply of *affordable housing*, all projects supporting the creation, preservation, and rehabilitation of rental and owner-occupied housing units must be affordable to low and moderate income households for at least a 15-year period. Rehabilitation assistance for owner-occupied properties must be secured by a mortgage or lien on the subject property that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years – or as long as the loan is outstanding. Rehabilitation assistance for investor-owned properties must be secured by a mortgage or lien, and the affordability requirements must be secured by an Affordable Housing Restriction [provided by DHCD] on the subject property that runs with the land, and that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years. “Owner-occupied” is defined as a property of no more than four (4) units, one of which is occupied by the owner. All other properties are considered “investor owned.” The EDF assistance to the project must be secured by a *deferred payment loan*, which may be incrementally forgiven over a minimum period of 15 years, or the term of the *affordable housing* restriction. If the community intends to request eligibility of the LMI units on the Subsidized Housing Inventory (SHI), the affordability restriction must be for 15 years for *rehabilitation* and 30 years for new construction.

Appropriate Analysis

See *Underwriting Guidelines*.

Carry Out activities, as by NDO subrecipient

Activities, projects and programs, which are implemented by an eligible NDO/subrecipient on behalf of a grantee are considered to be *carried out*. Typically, this includes activities that the grant recipient cannot carry out or implement on its own. In EDF, such activities are limited to the project types described below. Additionally, the NDO must have the capacity to carry out the activity. The NDO may undertake activities directly or through contracts, so long as the NDO maintains sufficient control to ensure compliance with all program requirements.

Terms that appear in *italicized font* are defined in this document

EDF allows only specific project types within the category of *Community Economic Development – Projects to increase economic opportunity or create/retain permanent jobs*. These include:

- Capitalization of small business or microenterprise revolving loan funds.
- Business technical assistance or training programs for LMI Individuals who are owners/developers of a microenterprise.
- Other eligible microenterprise activities.

Special Considerations:

- Underwriting guidelines of 24 CFR 570.482 (e), and Public Benefit requirements of 24 CFR 570.482 (f) apply to activities otherwise eligible under 105 (a)(17) – Assistance to For-Profits.
- Revenue generated (such as from loan repayments paid to an NDO) is not considered to be CDBG program income [ref. 24 CFR 570.489 (e)(2)(ii)]. The subrecipient/NDO is free to use these funds to carry out continued activities. However, any EDF grant made for RLF capitalization will include a special condition that loan repayments must be used for continued lending in the RLF, plus reasonable (proportional to grant) administrative overhead.

Change of Use of Real Property

When CDBG funds are used to acquire or improve real property, that assistance is considered the use of CDBG funds and must meet a national objective. Transfer of the assisted property within 5 years of closeout would be subject to *change of use* rules (24 CFR 570.489(j)). The grantee has several options for complying with this requirement. (1) It may sell the property at FMV. Proceeds of sale are considered Program Income and are returned to the Massachusetts CDBG Program. The property can then be reused for any purpose. (2) With proper notification the property may be reused for an activity that will meet a national objective. The property may be transferred for less than FMV, but the difference between FMV and actual sale price may be considered as direct business assistance under HCDA 105(a)(17) – Assistance to For-Profits. (3) If there is no change of use on the property for 5 years, it may then be developed for any use.

Choice Limiting Actions

Under 24 CFR Part 58.22 of the Environmental Review regulations, CDBG grant recipients are prohibited from making choice limiting actions until after the environmental review has been fully concluded. Choice limiting actions may include purchasing or committing to purchase, a building or lot, going out to bid for contract, approving final plans, or starting physical work on a site before release of funds has been issued to the grantee. Grant recipients must not take any physical actions until the project has received environmental clearance.

Compliance Review

All funded CDBG programs of the grantee community and subrecipients are subject to review of financial and programmatic records for the purpose of determining overall compliance with OMB Financial Management Standards, U.S. Treasury cash management regulations, and general program eligibility. Compliance review includes: The grantee community's DHCD Grant Contract and Program Management Manual; Title I of the Housing and Community Development Act of 1974, as amended; Federal regulations including but not limited to: 24 CFR Part 570.480, HUD Community

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Development Block Grant Regulations for State Programs; 24 CFR Part 85, Administrative Procedures for Grants to State, Local and Federally Recognized Indian Tribes; 31 CFR Section 205 (as interpreted by Massachusetts CDBG policy); and OMB Circular A-87, Cost Principles for Federal Financial Assistance Programs.

Creditworthiness

EDF projects that involve housing/mixed-use development, or other real estate development will consider the creditworthiness of the owner(s)/developer(s)/sponsor(s) when reviewing the project's feasibility. Creditworthiness of project proponents must meet Threshold #4, Creditworthiness of Sponsor/Owner, of the Massachusetts Low Income Tax Credit Program 2013 Qualified Allocation Plan.

Energy Efficient Appliances

Installation of energy efficient (compliant with Energy Star standards) clothes washers, dryers, and dishwashers, when done in conjunction with housing *rehabilitation* and consistent with HUD Memorandum dated 1/14/2011, Subject: Guidance Regarding the Use of CDBG Funds for Washers, Dryers, and Dishwashers, and HUD Guidance on NSP Eligible Appliance Purchases, posted 3-8-2010, are allowable.

Data Universal Numbering System (D-U-N-S) Number

Businesses receiving grant assistance from a federal program or entering a contract with the federal government need to obtain a *D-U-N-S number* from Dun & Bradstreet. This includes all businesses and microenterprises counted as Existing Businesses Assisted in the Performance Measures section of the CDBG Grant Management System. Home-based businesses and persons developing or establishing microenterprises are counted in Performance Measures as New Businesses Assisted and do not need to report a *D-U-N-S number*. The *D-U-N-S number* is a unique nine-digit identification number for each physical location of a business. Assignment is free on the Dun & Bradstreet *D-U-N-S* website for all businesses required to register with the federal government for contracts or grants. Microenterprise assistance, which is provided to individuals who are planning, and have not yet established a business, and will not be reported in Performance Measures as a business assisted may not be required to obtain a *D-U-N-S number*.

Davis-Bacon Wage Rates

The Davis-Bacon Act provides that laborers and mechanics employed by the contractor or subgrantees on construction projects assisted with federal funds shall be paid wages determined by the Secretary of Labor. Related labor Acts, collectively known with the Davis-Bacon Act as Davis-Bacon and Related Acts (DBRA) include the Contract Work Hours and Safety Standards Act, which contains labor standards for work on contracts financed by federal grants, and the Department of Labor "Anti-Kickback" regulations. DBRA do not apply to residential property contracts consisting of fewer than 8 units. DBRA do apply to all mixed-use projects, even if the residential component has fewer than 8 units; except when the work on the commercial space is completed under a separate contract and at a different time, or when work conducted on the building envelope is truly incidental to the Residential portion of the structure. When DBRA do apply to a mixed-use project, the Davis-Bacon Residential Rates may be applied to the entire project,

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as long as the residential cost of the project is at 80% of the total project cost. Otherwise, Residential and Building rates must be applied separately.

Deferred Payment Loans (DPLs)

A mechanism commonly used in the CDBG Program to secure the value of the grant-assisted improvements over a period of time. A DPL is a loan, which requires no interest or principle payments for compliance with the loan terms. Typically, the principle of the loan is also forgiven incrementally for continued compliance with the terms of the loan. EDF requires DPLs with terms to secure grant-assisted residential property improvements for a minimum of 15 years, or for the term of the affordability restriction, whichever is greater. EDF also requires DPLs for a minimum of 10 years to secure grant-assisted improvements to commercial property including facades (when not undertaken as Assistance to For-Profits), and for assistance to certain public facilities projects. In the case of commercial improvements, local communities may also require preservation restrictions or easements to preserve the design of the improvements. A DPL must be recorded with the deed of the assisted property, and the application's Management Plan must demonstrate that a mechanism is in-place to monitor compliance for the term of the loan. The specific terms and conditions of the DPL must be outlined in the application's Anti-Speculation and Recapture Plan.

Design and Construction Standards

Design and construction standards of EDF assisted housing/mixed-use development projects must meet Design and Construction Standards of the Massachusetts Local Initiative Program (LIP).

Downtown or Commercial Center Area

A downtown area or secondary commercial center of a community, as evidenced by:

- (a) A map delineating such area for participation in past DHCD-supported programs, including the CDBG program and Massachusetts Downtown Initiative (MDI);
- (b) Other evidence of location in a commercial center, as provided by the community and approved by DHCD.

Economic development purpose

To be eligible for EDF funding, all EDF projects must have an *economic development purpose*, regardless of national objective or applicability of public benefit requirements. A project is considered to include an *economic development purpose* if one or more of the following applies:

- (a) The project is considered economic development by definition (i.e., 105(a)(17), (22), (14) when undertaken as economic development, or (15) when undertaken as part of a community economic development project, including public services specifically designed to increase economic opportunities through job training and placement, and other employment services);
- (b) The project will address national objective of LMI jobs;
- (c) The project will address a national objective other than LMI jobs (e.g., Prevention or Elimination of Slums or Blight, L/M Housing), and *supports an economic development activity*.

Entire Building Façade

When undertaking rehabilitation or adaptive re-use of commercial or mixed use projects, the *entire building facade* must be appropriately addressed, regardless of the portions of the building assisted.

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Upon project completion, the entire building façade must demonstrate adherence to all of the following that apply:

- (a) Local design guidelines or bylaw, if present.
- (b) Approval of Massachusetts Historical Commission (MHC) --or local historical commission if within the jurisdiction of an approved Programmatic Agreement, if located in an historic district, or otherwise listed (or eligible for listing) on the State Register of Historic Places.
- (c) Review and approval of the local design review committee, if present.
- (d) If the building requires no historical review and there are no local design guidelines or design review, then design must be compatible with vernacular architecture of the neighborhood or downtown.
- (e) Documentation from the community that all conditions of the building that had been identified as contributing to blight have been appropriately addressed, and from the local building inspector that the completed project has no code violations.

Environmental Review

The environmental review process for CDBG projects is covered in 24 CFR Part 58. The regulations require that CDBG recipients (municipalities receiving grants) assume responsibility for conducting environmental reviews. The regulations require that all CDBG projects be approved in accordance with requirements of the National Environmental Policy Act (NEPA), except those exempt or categorically excluded in Part 58. The regulations further require that all CDBG projects, except those that are exempt, are further subject to the regulatory requirements of other federal agencies, such as the Environmental Protection Agency (EPA) and the Advisory Council on Historic Preservation, or HUD's own requirements, such as those relating to noise. Most CDBG projects are determined to be exempt or categorically excluded. Review of categorically excluded activities generally takes no more than 30 days.

Faith-Based Organizations (receiving HUD funds)

Organizations that receive direct HUD funds may not engage in inherently religious activities, such as worship, religious instruction, or proselytizing, as a part of the program or services funded by HUD. Inherently religious activities must be offered separately, in time or location, from the programs, activities, or services supported by direct HUD funds. Participation in religious activities must be voluntary for service beneficiaries of HUD-funded activities. Program beneficiaries must understand that they are free to participate or not, not only in the assisted *Faith-Based Organization's* religious activities, but in the organization's religious affiliation itself. That is, the HUD-funded services must be open to all who are eligible for them, whether they are members of the *Faith-Based Organization's* church, denomination, or religion; or not.

Ineligible Activities

The following activities may not be assisted with CDBG funds: (1) Buildings or portions thereof, used for the general conduct of government; (2) General government expenses; and (3) Political activities. The following activities generally may not be assisted with CDBG funds unless authorized under provisions of § 570.203 or as when carried out by an entity under the provisions of § 570.204: (1) Purchase of equipment, including Construction equipment, Fire protection equipment, Furnishings and personal property; (2) Operating and maintenance expenses, including Maintenance and repair of publicly owned streets, parks, playgrounds, water and sewer facilities,

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neighborhood facilities, senior centers, centers for persons with a disabilities, parking and other public facilities and improvements, and Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities; (3) New housing construction, except: (i) As provided under the last resort housing provisions set forth in 24 CFR part 42; (ii) As authorized under § 570.201(m) or (n); and (iii) When carried out by an entity pursuant to § 570.204(a); and (4) Income payments. Additionally, when determining the Public Benefit (under 24 CFR 570.482(f)) of an economic development activity, the activity would be considered to have an insufficient benefit if it consists of or includes: general promotion of the community (as a whole); assistance to professional sports teams; assistance to privately-owned recreational facilities that serve a predominantly higher income clientele where the benefit to users clearly outweighs the benefit of jobs created or retained; acquisition of land for which a specific use has not been identified (i.e., land banking); or assistance to a for-profit business owner that is the subject of unresolved findings of noncompliance related to previous CDBG assistance.

Investor Owner Residential

For the purposes of the CDBG/EDF program, this term refers to any residential building with five (5) or more units.

Job Pirating

The “Prohibition on use of assistance for employment relocation activities,” commonly referred to as the federal *Job Pirating* law, provides that no amount from a grant under section 5306 may be used to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one labor market area to another labor market area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

Lead Paint

The “Residential Lead-Based Paint Hazard Reduction Act of 1992,” as implemented by regulations at 24 CFR Part 35, establish requirements to protect children from lead-based paint hazards in housing that is receiving federal financial assistance or is being sold by the government. *Lead Paint* hazards must be addressed in all assisted housing units constructed before 1978, unless otherwise exempt. *Lead Paint* remediation actions are covered by Lead Safe Work Practices (24 CFR 35.930(b)) when hard costs are \$5,000 or less; Interim Controls or Standard Practices (24 CFR 35.930 (c)) when hard costs are greater than \$5,000 but do not exceed \$25,000; or Abatement (24 CFR 35.930 (d)) when hard costs exceed \$25,000. *Lead Paint* remediation actions are reported and quantified according to the above categories in CDBG Quarterly Progress Reports.

Loan Guarantees (Section 108)

A financing mechanism by which the State guarantees HUD, which in turn guarantees a bond, the proceeds from which are used to finance local public and private projects. The State’s guaranty is through future CDBG allocations. The guaranteed loan is limited to gap financing, and local projects must be financially feasible and must generate sufficient cash flow to cover all debt service and operating costs to underwriting standards.

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Management Capacity

In addition to requirements of the Management Plan and Management requirements of the grant agreement which apply to all projects, applicants for capitalization of business *revolving loan funds* (RLFs), and other business assistance must demonstrate the administering entity's capacity for operating a small business loan program, including past experience in loan programs, portfolio management and performance.

Microenterprise

A commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise.

Mixed-use

A *mixed-use* building includes residential and commercial uses. The residential portion of the mixed-use building is subject to affordability restrictions and a deferred payment loan for the value of the EDF assistance (see *Affordable Housing* and *Workforce Housing* definitions). EDF assistance for commercial activities (unless assisted as Assistance to For-Profits) must be secured by a deferred payment loan, which may be incrementally forgiven over a minimum period of 10 years.

Non-Profit Development Organization Subrecipient

EDF support documents use the term Non-profit Development Organization (NDO) to refer to the range of non-profit organizations eligible to *carry out* activities under Section 105 (a) (14) and (15). The current EDF program allows NDOs act as a subrecipient to *carry out* only certain activities under Section 105 (a)(15).

Eligible NDO/Subrecipient Requirements

- Must meet IRS definition of non-profit
- Must be serving the development needs of the applicant(s)
- Must carry out activity eligible under Section 105 (a)(15)
- Must not be *carrying out* an activity that is specifically ineligible (see definition of *carry out*)
- DOES NOT need to meet HUD definition of Community Based Development Organization (24 CFR 570.204)
- Must be selected by a process meeting applicable state and federal procurement standards, and Mass. CDBG Program policies, including:
 - 24 CFR 85.36
 - 24 CFR 84.40-48
 - Applicable State procurement law, including Mass. Chapter 30B
 - Applicable Mass. CDBG Program procurement policies
- Examples:
 - Community Development Corporations
 - Neighborhood-based non-profits
 - Local development corporations
 - Community Based Development Organizations consistent with 24 CFR 570.204
 - Entities organized under the Small Business Act of 1958 for the purpose of carrying out specific activities

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Preservation Easement

A right, in the form of an easement, restriction, covenant, or condition of a deed or other instrument executed by or on behalf of the owner of a property, which limits the rights of the owner for the purpose of preserving the historical, architectural, archaeological, or cultural aspects of the assisted real property. In the context CDBG/EDF, the term generally refers to the restriction(s) places on the façade improvements assisted with CDBG funds, and are typically enforced for a term coinciding with the that of the *deferred payment loan* (DPL); minimum 10 years.

Real Estate (vs. User) Economic Development Project

HUD Policy Memoranda, including an often cited 1987 document by Jack A. Stovkis, distinguish between “real estate” and “user” economic development project types. The distinction is made considering that these two main project types are evaluated differently. In a *real estate economic development project*, the private developer would typically seek assistance with buying/building/renovating real property with the goal of leasing the property to another party. In a *user economic development project*, the entity seeking assistance is the occupant/user of the property, and would typically seek assistance for working capital, equipment or leasehold property improvements.

Recapturable Equity Investment (REI)

The REI mechanism may be used by EDF in certain instances when indicated by the appropriate analysis to structure equity gap financing when debt gap financing is not feasible. Examples of REI use might include increasing project equity to meet SBA or USDA minimum equity thresholds for loan guarantees, or when analysis of financial projections indicate minimal cash flow in early years of operation. Typically, the REI is written as a *n*-year, putable stock warrant, with the option to “put” a certain amount to the company annually based on surplus cash flow. If the company does not have surplus cash flow after operations, debt service and a reasonable cash reserve, the annual “put” (or a portion thereof) will be forgiven. If the company does have adequate cash, the annual “put” (or a portion thereof) will be exercised and paid to DHCD.

Reconstruction (Housing)

Reconstruction generally means the rebuilding of a structure on the same site in substantially the same manner. Deviations from the original design are allowed for reasons of safety or if otherwise impractical. In *reconstruction* the number of dwelling units on a site may not be increased, but the number of rooms per unit may be increased or decreased. Refer to HUD CPD Notice #07-08, issued 11/21/2007. See also *Rehabilitation*.

Rehabilitation (Housing)

Moderate and substantial *rehabilitation* needs may be addressed for the purpose of correcting code violations and replacing major building systems which are obsolete or in danger of failure. The costs of financing an EDF project must be able to support housing costs which are subsequently affordable to low and moderate income and *workforce housing* occupants. Installation of energy efficient (compliant with Energy Star standards) clothes washers, dryers, and dishwashers, when done in conjunction with housing rehabilitation and consistent with HUD Memorandum dated 1/14/2011, Subject: Guidance Regarding the Use of CDBG Funds for Washers, Dryers, and

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Dishwashers, and HUD Guidance on NSP Eligible Appliance Purchases, posted 3-8-2010, are allowable *Rehabilitation* does not include:

- (a) Creation of a secondary housing unit attached to a primary unit;
- (b) Installation of luxury items, such as a swimming pool;
- (c) Costs of equipment, furnishings, or other personal property not an integral structural fixture (except appliances as noted, above); or
- (d) The value of the homeowner's sweat equity to rehabilitate their own property.
- (e) *Relocation and displacement.*

See also *Reconstruction*.

Relocation and Displacement

Prospective projects that include occupied buildings are likely covered by relocation benefits under the federal Uniform Relocation Act or Chapter 79A of the Massachusetts General Laws. *Relocation* costs may be covered by the EDF grant. Temporary relocation (e.g., for de-leading or asbestos abatement) is commonly used in the program, but DHCD policy discourages permanent *displacement* of residents, regardless of income. Also, be certain to address potential relocation issues in the Anti-Displacement and Relocation Plan Summary and the Relocation Assistance Certification, both of which are required with the EDF application. These documents are important to explain what steps the community will take to minimize displacement during the implementation of proposed activities. If a project may include relocation, contact the Bureau of Relocation at (617) 573-1400 as early as possible in the application process.

Revolving Loan Fund (RLF)

A RLF is fund that is structured so that repayments can be used to make more loans. EDF sometimes capitalizes RLFs, may be operated by qualified non-profit development organizations (NDOs), which exhibit the necessary *management capacity*.

Siting (residential/mixed-use projects)

The EDF program will support and encourage investor owner residential and mixed-use projects, which include evidence of marketability, exhibit a prominent location proximate to traditional downtown activities and services.

Sufficient Creation/Retention of Jobs

Job creation/retention is expressed as permanent, full-time equivalents (FTEs). A maximum of \$20,000-\$25,000 project funds may be budgeted per FTE job created or retained as projected at application. (Example: \$200,000 assistance requires 8-10 FTE jobs.) A maximum \$7,500 project funds may be budgeted per FTE job created or retained as projected at application when one or more businesses can be identified that will directly benefit by EDF-funded public improvements within one year of project close out. Example: \$150,000 grant requires minimum 20 FTE jobs.)

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Supplemental Documentation (in Project Budget Information section)

Applies, as specified in invitation to apply, to Assistance to For-Profits and Assistance to Non-Profits activities:

Required Financial Feasibility Documentation

- Commitment from bank for primary financing
- Commitments from all other project financing
- Detailed Sources and Uses of Funds
- Outline of Proposed Financing Mechanism(s) and Terms
 - ☐ Loan
 - ☐ Recapturable Equity Investment
 - ☐ Combination
 - ☐ Other
- Accountant prepared financial statements and/or tax returns for the three most recent fiscal years.
- Personal Financial Statements for each owner with a 20% or greater interest
- Complete Business Plan
- Most Recent Financial Statements including:
 - ☐ Balance Sheet
 - ☐ Income Statement
 - ☐ Profit and Loss Statement
 - ☐ Cash Flow Statement
- Current aging of accounts receivable
- Current aging of accounts payable
- 5-Year Projections (with supporting information)

Supports an Economic Development Activity

An EDF project is considered to support an economic development activity if it is directly benefitting a project, which expands job opportunities, including provision of *workforce housing*. EDF projects that *support an economic development activity* do not include projects that will address the national objective of Low and Moderate Income Benefit/Job Creation or Retention (LMI/Jobs). Support of an economic development activity may be evidenced by:

- (a) Written commitment of business(es) directly benefiting by EDF-funded improvements to create jobs;
- (b) Survey of business(es) directly affected by EDF-funded improvements indicating jobs have been and/or will be created up to three (3) years before and/or after the date of application;
- (c) Documentation of jobs retained by business(es) directly affected by EDF-funded improvements;
- (d) *Rehabilitation* of *workforce housing* located in a downtown or commercial center (supports residential component only);
- (e) A combination of (a) through (d); or
- (f) Any other method of documenting support of an economic development activity, subject to the approval of DHCD.

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Applications for projects that will *support an economic development activity* are not required to use the EDF Job Monitoring Packet. Use of the Job Monitoring Packet is limited to projects that will address the national objective of LMI/Jobs.

Target Area

All CDBG applications must propose activities that are located in a geographic *target area*. Applicants will demonstrate this through an additional narrative listing the CDBG-funded activities, the target area and anticipated measurable improvements that will result. Communities with populations under 5,000 may define their entire community as a *target area*.

Underwriting Guidelines

Applicants for capitalization of business revolving loan funds (RLFs), and other business assistance eligible under Section 105 (a)(17) (Assistance to For-Profits), must provide the *underwriting guidelines* that will be used in the program. Guidelines must be able to demonstrate that costs are reasonable, account for all sources of financing, demonstrate the financial feasibility of each project, and consider a return on equity. *Underwriting guidelines* must meet or exceed Guidelines and Objectives for Evaluating Project Costs and Financial Requirements contained in Appendix A to 24 CFR Part 570. DHCD also utilizes the *underwriting guidelines* in the evaluation of projects that include gap financing. This process is alternately referred to as the *appropriate analysis*.

User (vs. *Real Estate*) Economic Development Project

HUD Policy Memoranda, including an often cited 1987 document by Jack A. Stovkis, distinguish between “user” and “real estate” economic development project types. The distinction is made considering that these two main project types are evaluated differently. In a *user economic development project*, the entity seeking assistance is the occupant/user of the property, and would typically seek assistance for working capital, equipment or leasehold property improvements. In a *real estate economic development project*, the private developer would typically seek assistance with buying/building/renovating real property with the goal of leasing the property to another party.

Workforce Housing

All projects supporting the creation, preservation, and rehabilitation of rental and owner-occupied housing units in *investor owner residential* and *mixed-use* projects, which are located in a *downtown or commercial center* must include *workforce housing* units. *Workforce housing* units will carry no *affordable housing* restrictions, and will be generally available at market rates or targeting households in the 80-120% of Area Median Income range. (Note that if CDBG funds will directly assist the housing *rehabilitation* activity, then at least 51% of the units must be preserved as affordable to LMI residents. This means that LMI units must be preserved as *affordable* to households below 80% of AMI for least a 15-year period.) In EDF projects, at least one (1) unit must meet this definition.

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